# JOINT MEETING OF THE BOARD OF LAND COMMISSIONERS AND THE ENDOWMENT FUND INVESTMENT BOARD April 8, 2003

#### **EFIB Members Present:**

Gavin M. Gee, Vice-Chairman M. Dean Buffington Thomas F. Kealey William D. Mitchell

#### **Staff Present:**

Matthew J. Haertzen, CFA Jennifer Outram-Dobler Connie Eshelman Andrew Potter Mary Livengood

## **EFIB Member(s) Absent:**

Senator Dean L. Cameron Representative William W. Deal Norman N. (Nick) Hallett John Taylor Parker W. Woodall

#### **Guests:**

Louis Henry, Deloitte & Touche, LP John Pickett, RBC Dain Michael Boren, Clearwater Advisors, LLC Douglas Bates, Clearwater Advisors, LLC Floyd Dukes, Artisan Partners, LP Walt McGhee, Oppenheimer Capital Eoin Middaugh, Systematic Financial Mgmt.

Chairman of the Board of Land Commissioners Governor Kempthorne convened the joint segment of the Board of Land Commissioners Meeting at 10:45 AM.

# **10.A.a.** – Audit Compliance Report

Mr. Haertzen and Mr. Henry discussed the fiscal year 2002 audit report. Mr. Haertzen reported that all items of concern listed in the audit have been resolved or are in the process of being resolved. Mr. Henry stated that staff has kept him apprised of changes as a result of audit concerns, and he approves the changes.

# 10.B.a – Mid-Cap Manager Search

Mr. Pickett of RBC Dain stated there is a need for mid-cap growth and mid-cap value managers. He discussed the process used to search for and screen prospective equity managers. RBC Dain utilized multiple databases to insure all managers were screened and all manager information was accurate. He stated that consultant representatives and Mr. Haertzen selected 14 growth managers and 9 value managers. From that list they selected 2 growth and 2 value managers for interviews. The Endowment Fund Investment Board Executive Committee, staff, and consultant representatives participated in the interview process. The following three managers were selected:

- Artisan Partners was selected as the mid-cap growth manager.
- Oppenheimer Capital was selected as a mid-cap value manager.
- Systematic Financial Management was selected as a mid-cap value manager.

The Executive Committee selected 2 mid-cap value managers because they scored equally well on the interviews, and they have very different management philosophies. The Executive Committee felt both philosophies would enhance the endowment portfolio.

Mr. Haertzen stated the Executive Committee selected Clearwater Advisors to manage the cash in the portfolio. At present Key Bank invests the cash in money market funds. The Executive Committee selected Northern Trust Investments, Inc.—a large-cap index management firm—to invest the Index Fund currently being invested by Key Bank. Northern Trust is better able to match the Russell 3000 Index against which the portfolio is judged for performance.

Governor Kempthorne called a brief break in the joint meeting to meet with Legislators, the media, and West Rock officials. During the break members of the Endowment Fund Investment Board met to discuss the situation with equity manager Trainer Wortham.

Mr. Haertzen explained that Trainer Wortham has had material changes in personnel and investment style. Their performance managing the endowment funds has been poor, and the endowment portfolio is currently their largest portfolio. Motion by Mr. Buffington, second by Mr. Mitchell to terminate Trainer Wortham's services. The members present voted unanimously in favor of the motion. (Dr. Hallett voted in favor by telephone.) The motion carried. The other board members will be given an opportunity to vote on the motion via written ballot.

## **10.C.a.** – Consulting Services

After the break, Mr. Haertzen explained to the joint boards that the Division of Purchasing issued a Request for Proposal (RFP) for the new consultant contract. There were 13 responses. The selection of a new consultant should be finalized in May.

He also stated that the institutional consultant group of RBC Dain is now managing the Endowment Fund Investment Board contract. They have lowered their fee to match their normal fee schedule. This will result in a savings of approximately \$13,000 for the remainder of the contract.

#### 10.D.b. Cash Flows

Mr. Haertzen stated the cash flow issue is becoming critical. The Public School fund will be out of money and not able to pay the second fiscal year 2003 beneficiary payment due in early July. Superintendent of Public Instruction Marilyn Howard will discuss a payment schedule with Tim Hill of her office to see if the July payment can be spread over several months beyond July when new revenue is received.

There being no further business of the joint boards, the joint segment concluded at 12:45 PM.

MOTION: That Trainer Wortham's services be terminated.